

HOME House Project



What's it Worth? Sustainability

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BUILDING SOLUTIONS

Intro...

- Affordable Housing is Easy when there is a strong economic base
 - Gary vs. Aspen
 - Disinvestment model vs. Investment Model
(Federal Subsidies
vs. Enlightened Self-Interest)
- Making projects **ECONOMICALLY** sustainable



Disinvestment Models

“Gap” Oriented

- Tax Credits
- Section 8 Certificates
- HOME \$\$
- CDBG



Investment Models

Incentive Oriented

- “Rent to Own”
- Shared Equity
- Mutual Housing/Cooperative Models
- Self-help housing
- El Paso’s Smart Water Policies for Xeriscape, Washers, Toilets, etc.



Investment vs. Disinvestment Subsidies

- **Investment Models**

- Sustainable
- Market Driven
- Oriented toward “root causes” (e.g., jobs)

- **Disinvestment Models**

- Dependent on Federal “largesse”
- Unsustainable (e.g., maturing Section 8)
- Need Dependent
- Unintended consequences



Sustainability as an Investment

- Energy Efficiency
 - R-Values
 - Passive and Active Solar
 - High Efficiency Boilers
- Water Conservancy
- Location
 - Access to Public Transportation
 - Proximity to Work, School, Shopping
 - Use of installed public infrastructure



Monthly Budget Analysis – A Hypothetical Drill

Sustainable Decision	Monthly Savings	Mortgage Equivalency	% of Value
Energy Saving Decisions	\$100	\$16,600	30%
Xeriscape	\$50	\$8,400	15%
10 miles Closer to Work	\$176	\$27,500	55%



An Extreme Example

ASPEN



Economics of Sustainable Housing

Key Elements	Stakeholder	Mortgage Value of the "commute"
Jobs	Employer	\$60,000
Public Services	Taxpayer/ Public Sector	\$20,000
Quality of Life/Auto-Commute Cost	Household/ Individual	\$100,000



Employer's Monthly Cost of One Hour Commute

Transportation Subsidy	Indirect or Direct (Guestimate) Extra Pay or Direct Subsidy	\$240
Increased Absenteeism	1/2 day per month @ \$10/hour	\$40
Increased Turn-over/Burnout	Training Costs @ \$3,000/year Assumes new employee every two years	\$125
Tardiness due to weather		
Distractions due to family issues		
Total of Monetary Costs Only		\$405
Mortgage Value at 7%		\$60,000

Employee's Monthly Cost of One-Hour Commute


Automobile	\$0.34/mile for 22 days; 35 miles each way IRS deduction for gas, depreciation, & maintenance	\$525
Loss of Pay	\$5.00/hour for half of the commute time (loss of pay would be higher if overtime available)	\$110
Time Away from Family, Friends, and Community	\$2.00/hour average for additional help needed (e.g., daycare, chores, eating out, etc.)	\$88
Risk of Accident on Road	Undetermined cost	
Extra Car	All studies show that there are more cars per household the further away work is	
Total of Monetary Costs Only		\$723
Mortgage Value at 7%		\$100,000

Public's Monthly Cost of One-Hour Commute

Assumes 1 extra car per 2 employees for commute

Cost of Additional Accidents	\$425 per vehicle is a mid-range estimate quoted in studies across US as annual cost	\$18
Additional Air Pollution and/or Clean Air Act Compliance Issues	\$120 per vehicle per year	\$5
Loss of Community Volunteers	Assume the loss of 2 hours per week at \$10/hour	\$80
Additional Road Maintenance	\$200 per vehicle per year estimate (Transit subsidies can be much higher, e.g. \$1/trip)	\$8
Total of Monetary Costs Only		\$111
Mortgage Value at 7%		\$17,000

El Paso “Location” Proximity Calculation

Automobile	\$.375/mile for 22 days; 10 miles each way IRS deduction for gas, depreciation, & maintenance	_____
Loss of Pay	\$5.00/hour for half of the commute time (loss of pay would be higher if overtime available)	_____
Time Away from Family, Friends, and Community	\$2.00/hour average for additional help needed (e.g., daycare, chores, eating out, etc.)	_____
Risk of Accident on Road	Undetermined cost	
Extra Car	All studies show that there are more cars per household the further away work is	
	Total of Monetary Costs Only	_____
	Mortgage Value at 7% (Multiple by 166)	_____

Barriers to Good Economics

- Perception of “Paternalism”
- Political Will
- NIMBY
- Inflexible Mortgage Underwriting Standards
- Local Municipal Codes
 - Minimum Lot Sizes
 - Maximum Units per Acre



Overcoming the Barriers

- Location Efficient Mortgage
- Community Housing/Group of Employers
- Communication/ Get the Facts Out
- Review of Codes (thinking outside the box):
 - minimum density
 - smaller units



Ideas for El Paso, Juarez, and Las Cruces



El Paso

- Education of home buyers AND bankers
- Central Business District Housing Incentives
- Accessory Dwelling Units
- Minimum Densities vs. Maximum Densities
- Impact Fees for Developments outside the Urban Growth Boundaries
- Others....



Juarez

- Employer Sponsorship of Housing
- Improved Cross-Border Commuting
- Other?



Las Cruces

- Location Efficient Mortgage
- Transportation between El Paso and Las Cruces?
- Accessory Dwelling Units
- Urban Growth Boundary



Affordable, Sustainable HousingAn Investment Model

Stakeholder	Action	Upfront Value
Public Sector	Waiver of Tap Fees or Impact Fees	\$2-5000
	Fast Track	\$1000++
Home-owner/Resident	Location Efficient Mortgage	~\$16,600
VALUE TO HOUSING		\$19,000-22,000

Questions?

Community Action Steps

- What can we do to encourage “smarter growth”?
- What are solutions that could be unique to our region?
- Other Questions and Ideas?

